

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

AUDIT REPORT

OF

INDIANA STATE FAIR COMMISSION

January 1, 2004 to December 31, 2004





## TABLE OF CONTENTS

| <u>Description</u>  | <u>Page</u> |
|---|-------------|
| Schedule of Officials.....  | 2           |
| Independent Auditor's Report on Financial Statements .....                              | 3           |
| Management's Discussion and Analysis .....  | 4-8         |
| Basic Financial Statements:   |             |
| Statement of Net Assets – Proprietary Fund .....  | 9           |
| Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund ..... | 10-11       |
| Statement of Cash Flows – Proprietary Fund .....  | 12          |
| Statement of Fiduciary Net Assets – Fiduciary Fund .....                                | 13          |
| Statement of Changes in Fiduciary Net Assets – Fiduciary Fund .....                     | 14          |
| Notes to Financial Statements .....   | 15-23       |
| Required Supplementary Information:   |             |
| Schedule of Funding Progress .....  | 24          |
| Other Report.....   | 25          |
| Exit Conference .....   | 26          |

#### SCHEDULE OF OFFICIALS

| <u>Office</u>      | <u>Official</u>                     | <u>Term</u>                                  |
|--------------------|-------------------------------------|--|
| Executive Director | William Stinson<br>Cynthia C. Hoyer | 01-01-04 to 12-15-04<br>12-16-04 to 12-31-06 |
| President          | Terry Hoffman                       | 10-01-03 to 09-30-06                         |
| Chairman           | Dr. Gene Sease                      | 06-01-02 to 09-30-06                         |



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

TO: THE OFFICIALS OF THE INDIANA STATE FAIR COMMISSION

We have audited the accompanying basic financial statements of the business-type activity and the aggregate remaining fund information of the Indiana State Fair Commission as of and for the year ended December 31, 2004, which collectively comprise the Commission's basic financial statements. These financial statements are the responsibility of the Indiana State Fair Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and the aggregate remaining fund information of the Indiana State Fair Commission as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, and Schedule of Funding Progress, as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS

February 2, 2006

**INDIANA STATE FAIR COMMISSION  
2004 MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended December 31, 2004**

**INTRODUCTION:**

The Indiana State Fair Commission is charged with holding the annual Indiana State Fair in August, as well as providing accessible, cost-effective, secure and modern facilities for the variety of events hosted by the Commission the other eleven months of the year.

Commission members are appointed by the Governor. Their main function is to provide leadership and direction in the on-going renovation of this state-owned 300 acre facility. Fair Board members plan and run our largest single event--the Indiana State Fair. The Directors and Commissioners efforts are aided by the Senior Staff, who provide typical support services such as Accounting and Data Processing, Marketing, Media Relations, Buildings and Grounds Maintenance, Operations show set-up and tear-down, Parking and Gates, and overall coordination of the State Fair with the Commission.

Fantastic weather and outstanding programs brought an astounding 900,000 visitors to the 2004 Indiana State Fair. The Fairgrounds has been located in Indianapolis, at 38<sup>th</sup> Street and Fall Creek Parkway, since 1892; while the early history of the Fair dates back to the middle 1800's.

This section presents management's discussion and analysis of the Indiana State Fair Commission for the year ended December 31, 2004. The MD&A is presented as a narrative overview and analysis of the ISFC's financial activities. The information provided here should be considered in conjunction with the information presented on our basic financial statements in order to enhance understanding of the ISFC's financial performance during the 2004 fiscal year.

**OVERVIEW & DISCUSSION OF ASSETS & OUTSTANDING DEBTS (\$000's):**

| <b>ASSETS</b>               | <b>2004</b> | <b>2003</b> | <b>'04 - '03</b> |   |
|-----------------------------|-------------|-------------|------------------|---|
| Cash                        | \$1,146     | \$964       | \$182            |   |
| Accounts Receivable         | \$411       | \$759       | -\$348           |   |
|                             |             |             |                  |   |
| Bond Debt Serv Reserve Fund | \$2,263     | \$2,258     | \$5              |   |
| Bond Payment Fund           | \$2,031     | \$2,043     | -\$12            |   |
| Bond Proceeds               | \$0         | \$5,592     | -\$5,592         | B |
| Other                       | \$75        | \$62        | \$13             |   |
|                             |             |             |                  |   |
| Investments                 | \$5,325     | \$1,825     | \$3,500          | C |
|                             |             |             |                  |   |
| Land & Improvements         | \$9,060     | \$8,342     | \$718            |   |
| Buildings & Improvements    | \$65,168    | \$60,132    | \$5,036          | B |
| Machinery & Equipment       | \$2,975     | \$2,330     | \$645            |   |
| Office Furniture & Fixtures | \$1,407     | \$1,146     | \$261            |   |
|                             |             |             |                  |   |

|                                       |                 |                 |                  |   |
|---------------------------------------|-----------------|-----------------|------------------|---|
| Accumulated Depreciation              | -\$25,462       | -\$22,582       | -\$2,880         |   |
| Other                                 | \$838           | \$908           | -\$70            |   |
| <b>TOTAL ASSETS</b>                   | <b>\$65,237</b> | <b>\$63,779</b> | <b>\$1,458</b>   |   |
| <b>LIABILITIES</b>                    | <b>2004</b>     | <b>2003</b>     | <b>'04 – '03</b> |   |
| Trade Liabilities                     | \$719           | \$1,623         | -\$904           |   |
| Deferred Income                       | \$68            | \$152           | -\$84            |   |
| Current Portion Long Term Debt        | \$1,375         | \$1,355         | \$20             | A |
| Long Term Debt (Revenue Bond)         | \$18,835        | \$20,210        | -\$1,375         | A |
| Principal & Interest                  | \$1,762         | \$1,796         | -\$34            |   |
| Other                                 | -\$136          | -\$149          | \$13             |   |
| <b>TOTAL LIABILITIES</b>              | <b>\$22,623</b> | <b>\$24,987</b> | <b>-\$2,364</b>  |   |
| <b>EQUITY</b>                         |                 |                 |                  |   |
| Contributed Capital                   | \$15,725        | \$15,388        | \$337            |   |
| Retained Earnings                     | \$26,889        | 23,404          | \$3,485          |   |
| <b>TOTAL EQUITY</b>                   | <b>\$42,614</b> | <b>\$38,792</b> | <b>\$3,822</b>   |   |
| <b>TOTAL LIABILITIES &amp; EQUITY</b> | <b>\$65,237</b> | <b>\$63,779</b> | <b>\$1,458</b>   |   |

Many of the large buildings we have at the Fairgrounds were built between 1920 and 1940. With the continuing success of the Indiana State Fair, and the need for upgraded space to accommodate today's show promoters and event managers, the Commission recognized the need to accelerate the re-building of several of the Fairgrounds main buildings. The pay-as-you-go method for major building repairs and maintenance had worked well in the past, but there was not going to be enough financial resources to tackle complete re-build projects.

The Indiana State Fair Commission receives a substantial contribution from Riverboat Casino gambling. Beginning in 1996, the Commission received \$.15 (fifteen cents) from each \$3 admission tax paid by visitors to the State's Riverboat Casinos. That became a new source of revenue for the ISFC, and later, when more boats came on-line, Riverboat dollars became the driving force behind some of our larger and more aggressive capital-type projects. However, by 2001 Indiana was enduring tough times. The General Assembly asked the Indiana State Fair to revert \$3 million back to the state treasury over the next two years. ISFC complied by reverting \$2 million in 2002, and \$1 million in 2003.

During this time, the Staff was exploring ways to refurbish several buildings. These refurbishing projects were large enough in scope that the ISFC would never be able to accomplish them with our own funds, and legislative appropriation was not going to happen due to the State's poor financial condition. Members of the General Assembly encouraged the ISFC to borrow needed funds. A Revenue Bond seemed to be the best way to accomplish this (A). After nine months of work, a \$23 million, 15-year Revenue Bond was completed in August 2002. The net proceeds allowed the ISFC to renovate the West Pavilion (Cattle Barn), completely demolish and re-build the Champions Pavilion (Draft Horse Barn), and substantially renovate two of the three buildings in the 4-H Complex.

Looking at the Balance Sheet, we exchanged cash in the form of 2003's remaining Bond Proceeds for 2004 Building Improvements in the form of the 4-H Complex (B). Long Term Debt Principal Reduction is about \$1.4 million per year (A). We still owe about 13 years on the 15-year Revenue Bond. Investments increased substantially due to Riverboat and Mil Tax Revenues being up in 2004. About \$3.0 million of the Investments will be used to fund 2005 Capital Projects, including demolition of the Krannert Building on the old IUPUI property, and initiation of a major ISTEa project for the Department of Natural Resources' fish pond on the Fairgrounds north side (C).

**COMPARATIVE SUMMARY OF REVENUE & EXPENSE (\$000's):**

| <b>REVENUE</b>                     | <b>2004</b> | <b>2003</b> | <b>'04-'03</b> |   |
|------------------------------------|-------------|-------------|----------------|---|
| FAIR                               | \$8,281     | \$7,877     | \$404          |   |
| FAIRGROUND TAX REVENUE             |             |             |                |   |
| Riverboat Casino                   | \$6,107     | \$3,717     | \$2,390        | D |
| Mil Tax                            | \$3,007     | \$2,203     | \$804          | E |
| Pari-Mutuel                        | \$310       | \$284       | \$26           |   |
| Total Tax Revenue                  | \$9,424     | \$6,204     | \$3,220        |   |
| FAIRGROUNDS EARNED REVENUE         | \$4,456     | \$4,346     | \$110          | F |
| TOTAL FAIRGROUNDS REVENUE          | \$13,880    | \$10,550    | \$3,330        |   |
| FACILITY CHARGE                    | \$998       | \$1,060     | -\$62          |   |
| TOTAL REVENUE                      | \$23,159    | \$19,487    | \$3,672        |   |
| <b>EXPENSES</b>                    |             |             |                |   |
| FAIR OPERATING EXPENSES            | \$7,582     | \$6,945     | \$637          | G |
| FAIRGROUNDS OPERATING EXPENSES     | \$7,756     | \$7,498     | \$258          |   |
| CAPITAL-TYPE PROJECTS EXPENSED     | \$212       | \$102       | \$110          |   |
| BOND DEBT AMORTIZATION             | \$65        | \$65        | \$0            |   |
| BOND DEBT INTEREST EXPENSE         | \$832       | \$860       | -\$28          |   |
| TOTAL FAIRGROUNDS EXPENSES         | \$8,865     | \$8,525     | \$340          |   |
| FACILITY CHARGE OPERATING EXPENSES | \$542       | \$422       | \$120          |   |
| CAPITAL-TYPE PROJECTS EXPENSED     | \$98        | \$328       | -\$230         |   |
| TOTAL FACILITY CHARGE EXPENSES     | \$640       | \$750       | -\$110         |   |
| TOTAL EXPENSES                     | \$17,087    | \$16,220    | \$867          |   |
| <b>REVENUE EXCEEDING EXPENSES</b>  |             |             |                |   |
| FAIR                               | \$699       | \$932       | -\$233         |   |
| FAIRGROUNDS                        | \$5,015     | \$2,025     | \$2,990        |   |
| FACILITY CHARGE                    | \$358       | \$310       | \$48           |   |
| TOTAL REVENUE EXCEEDING EXPENSES   | \$6,072     | \$3,267     | \$2,805        |   |



2003's Fairgrounds Tax Revenue was substantially reduced in three major areas. First, the \$1 million reversion to the State of Indiana of Riverboat dollars as discussed above (D). Second, newly approved dock-side gambling rules changed the timing of some Riverboat receipts, deferring about \$1 million into a different fiscal year. (ISFC is on a December 31 year-end; the State is on a June 30 year-end.) Third, the decision was made to fund another struggling state agency, The Center for Agricultural Science and Heritage, with \$600,000 from ISFC Riverboat dollars.

2004's Riverboat Revenue was back to a more normal distribution. However, Mil Tax was up substantially over 2003 due to the lateness of some counties in settling their property taxes with the Auditor of the State dating back to 2003 (E). Fairgrounds Earned Revenue stays pretty stable at about \$4.4 million per year (F).

While the Fair has enjoyed record-setting crowds for the last several years, we realize that the Indiana State Fair is a weather-driven event. Due to the nature of Fair Programming and staffing requirements, many of the expenditures like Advertising, Grandstand Entertainment Costs, Utilities, Livestock Shows, and a large portion of payroll are more likely to be fixed, or semi-fixed, rather than variable expenses (G). They do not vary with attendance. But, revenue streams like Gate Admissions, Concessions, Midway, and Grandstand ticket sales do vary with attendance.

ISFC Operating results are typically shown without Depreciation Expense. Our internal statements are used mainly by non-financial people. They find the concept of a "non-cash expense" to be confusing when trying to determine what ISFC can really afford in the way of additional debt service or additional fixed asset additions. Depreciation is included in the State Board of Accounts presentation to bring the ISFC's statements into compliance with General Accepted Accounting Principles. With all the major construction work over the last several years, depreciation expense has soared to about \$3.5 million per year.

We have come a long way. We still have a long way to go to bring the Indiana State Fairgrounds to its full potential.

#### **FINANCIAL OUTLOOK/CURRENT ISSUES FOR 2005:**

While the State Fair has enjoyed increasing attendance for the last several years, we tend to budget conservatively, knowing that it all depends on the weather. 2005's State Fair Budget is based on expected attendance of 790,000; not the record shattering 900,000 we had in 2004. For several years now, the State Fair Commission has allowed the State Fair Board to re-invest any cash surplus from Fair operations back into the following year's State Fair. 2005 re-investment includes repairs and upgrades to the Pioneer Village, a Transportation Center to enhance usage of the Park-and-Ride with the IndyGo bus system, supplemental Fair advertising, a Cattle Tie system replacement, and more Free Stage Entertainment. An issue with all Fairs in 2005 will be more preventive measures regarding E.coli O157:H7, as well as overall public health and safety for Fairgoers.

The 2005 Fairgrounds Budget recognizes continuing the \$600,000 financial support for the Center for Agricultural Science and Heritage. However, instead of providing C.A.S.H. money, which we recognized as a reduction to Fairgrounds revenue in 2004, we took over paying C.A.S.H.'s operating expenses in 2005, thus increasing Fairgrounds expenses. We also re-leveled Mil Tax Revenue expectations back to a more typical year. Like most employers, we are concerned about the ever-increasing costs of providing group medical insurance. We intend to do an updated building study to help us prioritize where our future capital projects dollars need to go. While the Fairgrounds tax revenues and earned revenues are relatively stable, operating expenses tend to creep upward each year, which cuts into the amount of dollars available for capital-type projects.

Cindy Hoye was recently appointed Executive Director of the Indiana State Fair Commission. She has served as the Commission's Marketing Director for the past 18 years. She is well known in the Fair Industry, and brings a wealth of knowledge and experience to her new position.

We believe our future lies in continuing what we do well; that is, showcasing one of the best State Fairs in the country, as well as the other 300 shows and events that call the Indiana State Fairgrounds home. We must be doing something right. Four of those shows have been here for 50 or more years!

2004MD&A

INDIANA STATE FAIR COMMISSION  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
December 31, 2004

Assets

Current Assets:

|                           |              |
|---------------------------|--------------|
| Cash and Cash Equivalents | \$ 5,493,117 |
| Accounts Receivable       | 410,946      |
| Due From Other Funds      | <u>2,127</u> |

|                      |                  |
|----------------------|------------------|
| Total Current Assets | <u>5,906,190</u> |
|----------------------|------------------|

Noncurrent Assets:

|                                       |                  |
|---------------------------------------|------------------|
| Restricted Cash and Cash Equivalents: |                  |
| Repair and Replacement Fund           | 1,000,000        |
| Bond Project Account                  | 50               |
| Bond Debt Service Account             | 2,254,460        |
| Bond Funding Account                  | <u>2,031,454</u> |

|                         |                  |
|-------------------------|------------------|
| Total Noncurrent Assets | <u>5,285,964</u> |
|-------------------------|------------------|

|  |                |
|--|----------------|
| Deferred Charges - Bond Issuance Costs | <u>635,341</u> |
|--|----------------|

Construction In Progress:

|                                      |                  |
|--------------------------------------|------------------|
| Champions (East) Pavilion Rebuild 04 | -                |
| 4-H Buildings 04                     | -                |
| Construction In Progress - Other     | <u>1,650,343</u> |

|                                |                  |
|--------------------------------|------------------|
| Total Construction In Progress | <u>1,650,343</u> |
|--------------------------------|------------------|

Property, Plant, and Equipment:

|                                |                     |
|--------------------------------|---------------------|
| Land and Improvements          | 9,060,364           |
| Buildings and Improvements     | 64,820,811          |
| Machinery and Equipment        | 2,975,123           |
| Office Furniture and Equipment | 1,354,911           |
| Less: Accumulated Depreciation | <u>(28,903,847)</u> |

|                                     |                   |
|-------------------------------------|-------------------|
| Total Property, Plant and Equipment | <u>49,307,362</u> |
|-------------------------------------|-------------------|

|              |                   |
|--------------|-------------------|
| Total Assets | <u>62,785,200</u> |
|--------------|-------------------|

Liabilities and Fund Equity

Current Liabilities Payable From Unrestricted Funds:

|                                      |           |
|--------------------------------------|-----------|
| Accounts Payable                     | 689,907   |
| Contracts Payable                    | 296,445   |
| Revenue Bonds Payable - Current      | 1,355,000 |
| Revenue Bond Interest Payable        | 407,414   |
| Salaries Payable                     | 89,232    |
| Payroll Withholdings Payable         | 3,388     |
| Taxes Payable                        | 15,378    |
| Deferred Income                      | 68,366    |
| Scholarships Payable                 | -         |
| Compensated Absences Current Payable | 152,969   |
| Due To Other Funds                   | <u>-</u>  |

|   |                  |
|---|------------------|
| Total Current Liabilities Payable From Unrestricted Funds | <u>3,078,099</u> |
|---|------------------|

Noncurrent Liabilities:

|  |                |
|--|----------------|
| Revenue Bonds Payable - LT             | 20,210,000     |
| Unamortized Bond Discount              | (142,684)      |
| Unamortized Loss on Sale of Bonds      | (202,987)      |
| Compensated Absences Long Term Payable | <u>197,316</u> |

|                              |                   |
|------------------------------|-------------------|
| Total Noncurrent Liabilities | <u>20,061,645</u> |
|------------------------------|-------------------|

|                   |                   |
|-------------------|-------------------|
| Total Liabilities | <u>23,139,744</u> |
|-------------------|-------------------|

Net Assets

|  |                  |
|--|------------------|
| Invested in Capital Assets Net of Related Debt | 30,747,705       |
| Restricted-expendable:                         |                  |
| Future Debt Service                            | 4,285,964        |
| Other Purposes                                 | 1,000,000        |
| Unrestricted (deficit)                         | <u>3,611,787</u> |

|                  |                      |
|------------------|----------------------|
| Total Net Assets | <u>\$ 39,645,456</u> |
|------------------|----------------------|

The accompanying notes are an integral part of the financial statements.

INDIANA STATE FAIR COMMISSION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
For The Year Ended December 31, 2004

Operating Revenues:

Fair Operations:

|                    |               |
|--------------------|---------------|
| Gates              | \$ 2,901,058  |
| Concessions/Midway | 2,107,018     |
| Entertainment      | 807,647       |
| Sponsorship        | 959,469       |
| Department         | 427,141       |
| Sport/Events       | 305,462       |
| Livestock          | 333,941       |
| Shuttle Bus        | 127,003       |
| Parking            | 227,855       |
| Other              | <u>60,446</u> |

|                       |                  |
|-----------------------|------------------|
| Total Fair Operations | <u>8,257,040</u> |
|-----------------------|------------------|

Non-Fair Operations:

|  |                |
|--|----------------|
| Concessions                                  | 619,886        |
| Rentals of Buildings, Grounds, and Equipment | 1,627,737      |
| Expense Reimbursement                        | 1,377,469      |
| Fairground Events                            | 136,351        |
| Ice Skating and Skate Shop                   | 308,007        |
| Sponsorships                                 | 203,500        |
| Other  | <u>125,121</u> |

|                           |                  |
|---------------------------|------------------|
| Total Non-Fair Operations | <u>4,398,071</u> |
|---------------------------|------------------|

Facility Charge Operations:

|                         |                |
|-------------------------|----------------|
| Facility Charge Revenue | <u>997,846</u> |
|-------------------------|----------------|

|                         |                   |
|-------------------------|-------------------|
| Total Operating Revenue | <u>13,652,957</u> |
|-------------------------|-------------------|

Operating Expenses:

Fair Operations:

|                                |              |
|--------------------------------|--------------|
| Payroll                        | 1,805,379    |
| Services Other Than Personal   | 697,686      |
| Services by Contract           | 3,711,677    |
| Materials, Parts, and Supplies | 695,547      |
| Awards                         | 595,644      |
| Travel                         | 68,410       |
| Bad Debt Expense               | <u>7,906</u> |

|                       |                  |
|-----------------------|------------------|
| Total Fair Operations | <u>7,582,249</u> |
|-----------------------|------------------|

The accompanying notes are an integral part of the financial statements.

INDIANA STATE FAIR COMMISSION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
For The Year Ended December 31, 2004  
(Continued)

Operating Expenses (Continued):

Non-Fair Operations:

|                                |           |
|--------------------------------|-----------|
| Payroll                        | 3,222,528 |
| Services Other Than Personal   | 2,093,726 |
| Services by Contract           | 2,105,087 |
| Materials, Parts, and Supplies | 755,961   |
| Capital Expenditures           | 478,918   |
| Depreciation                   | 3,440,510 |
| Awards                         | 13,514    |
| Travel                         | 12,704    |
| Bad Debt Expense               | 26,421    |
| 4-H Scholarship Awards         | -         |

|                           |                   |
|---------------------------|-------------------|
| Total Non-Fair Operations | <u>12,149,369</u> |
|---------------------------|-------------------|

Facility Charge Operations:

|                                |               |
|--------------------------------|---------------|
| Payroll                        | 351,001       |
| Services Other Than Personal   | 6,334         |
| Services by Contract           | 162,673       |
| Materials, Parts, and Supplies | 21,647        |
| Capital Expenditures           | <u>98,277</u> |

|                                  |                |
|----------------------------------|----------------|
| Total Facility Charge Operations | <u>639,932</u> |
|----------------------------------|----------------|

|                          |                   |
|--------------------------|-------------------|
| Total Operating Expenses | <u>20,371,550</u> |
|--------------------------|-------------------|

|                |                    |
|----------------|--------------------|
| Operating Loss | <u>(6,718,593)</u> |
|----------------|--------------------|

Nonoperating Revenues (Expenses):

|  |                |
|--|----------------|
| Property Tax Distribution                      | 3,006,492      |
| Riverboat Distribution                         | 6,406,888      |
| Pari-Mutual, Off-Track Betting Distribution    | 310,147        |
| Interest Income                                | 40,870         |
| Interest Expense 2002 Bond (Bond Debt Service) | (377,194)      |
| Grants   | <u>548,515</u> |

|                             |                  |
|-----------------------------|------------------|
| Total Nonoperating Revenues | <u>9,935,718</u> |
|-----------------------------|------------------|

|            |           |
|------------|-----------|
| Net Income | 3,217,125 |
|------------|-----------|

|  |            |
|--|------------|
| Total Net Assets, January 1, As Restated | 36,428,331 |
|--|------------|

|                               |                      |
|-------------------------------|----------------------|
| Total Net Assets, December 31 | <u>\$ 39,645,456</u> |
|-------------------------------|----------------------|

The accompanying notes are an integral part of the financial statements.

INDIANA STATE FAIR COMMISSION  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended December 31, 2004

|  | Proprietary<br>Fund          |
|--|------------------------------|
| Cash Flows from Operating Activities:  |                              |
| Receipts from Customers and Users  | \$ 14,000,940                |
| Payments to Suppliers  | (12,270,754)                 |
| Payments to Employees  | (5,338,127)                  |
| Net Cash Used by Operating Activities  | <u>(3,607,941)</u>           |
| Cash Flows from Noncapital Financing Activities:   |                              |
| Tax Distributions From State   | <u>9,723,528</u>             |
| Cash Flows from Capital and Related Financing Activities:  |                              |
| Acquisition and Construction of Capital Assets   | (6,520,338)                  |
| Interest Paid on Capital Debt  | (407,414)                    |
| Interest on Investments  | 39,547                       |
| Grants   | <u>548,515</u>               |
| Net Cash Used by Capital and Related Financing Activities  | <u>(6,339,690)</u>           |
| Cash Flows From Investing Activities   |                              |
| Interest Received  | <u>40,870</u>                |
| Net Decrease in Cash and Cash Equivalents  | (183,233)                    |
| Cash and Cash Equivalents, January 1   | <u>10,962,314</u>            |
| Cash and Cash Equivalents, December 31   | <u><u>\$ 10,779,081</u></u>  |
| Reconciliation of Cash, Cash Equivalents and Investments:  |                              |
| Cash and Cash Equivalents, Current, per Balance Sheet  | \$ 5,493,117                 |
| Cash and Cash Equivalents, Restricted, per Balance Sheet   | <u>5,285,964</u>             |
| Cash, Cash Equivalents and Investments per Balance Sheet   | <u><u>\$ 10,779,081</u></u>  |
| Cash Flows from Operating Activities:  |                              |
| Operating Loss   | \$ (6,718,593)               |
| Adjustments to Reconcile Operating Income (Loss) to<br>Net Cash Provided (Used) by Operating Activities: |                              |
| Depreciation/Amortization Expense  | 3,440,510                    |
| Changes in Assets and Liabilities:   |                              |
| (Increase) Decrease in Accounts Receivable   | 347,983                      |
| Increase (Decrease) in Accounts Payable  | 4,765                        |
| Increase (Decrease) in Contracts Payable   | (655,527)                    |
| Increase (Decrease) in Salaries Payable  | 14,608                       |
| Increase (Decrease) in Deferred Income   | (83,237)                     |
| Increase (Decrease) in Accrued Compensated Absences  | 22,785                       |
| Increase (Decrease) in Other Accounts Payable  | <u>18,765</u>                |
| Net Cash Used by Operating Activities  | <u>\$ (3,607,941)</u>        |
| Net Cash Used by Operating Activities from Cash Flows - Direct   | <u><u>\$ (3,607,941)</u></u> |

The accompanying notes are an integral part of the financial statements.

INDIANA STATE FAIR COMMISSION  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
December 31, 2004

| <u>Assets</u>                         | <u>Private-Purpose<br/>Trust Fund</u> |
|---------------------------------------|---------------------------------------|
| Assets:                               |                                       |
| Cash and Cash Equivalents             | \$ <u>62,353</u>                      |
| <u>Liabilities and Fund Equity</u>    |                                       |
| Liabilities:                          |                                       |
| Scholarships Payable                  | 5,962                                 |
| Accounts Payable                      | <u>2,127</u>                          |
| Total Liabilities                     | <u>8,089</u>                          |
| <u>Net Assets</u>                     |                                       |
| Held in Trust for Trust Beneficiaries | <u>\$ <u>54,264</u></u>               |

The accompanying notes are an integral part of the financial statements.

INDIANA STATE FAIR COMMISSION  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
For The Year Ended December 31, 2004

|                                       | Private-Purpose<br>Trust Fund |
|---------------------------------------|-------------------------------|
| Additions:                            |                               |
| Contributions                         | \$ -                          |
| Interest Income                       | <u>814</u>                    |
| Total Additions                       | <u>814</u>                    |
| Deductions:                           |                               |
| 4-H Scholarship Awards                | <u>654</u>                    |
| Net Increase in Net Assets            | <u>160</u>                    |
| Net Assets Held in Trust, January 1   | <u>54,104</u>                 |
| Net Assets Held in Trust, December 31 | <u><u>\$ 54,264</u></u>       |

The accompanying notes are an integral part of the financial statements.



INDIANA STATE FAIR COMMISSION  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The State Fair Commission was established per Indiana Code 15-1.5-2 as the trustee for and on behalf of the people of the State of Indiana to administer the State Fairgrounds as trust property of the State of Indiana. The Commission is a separate body, corporate and politic. The Commission is not a state agency. The Commission shall maintain and develop the Fairgrounds and other properties owned by the Commission.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the enterprise funds are charges to customers for admission and rental of facilities. Operating expenses for the enterprise funds include the cost of maintenance of the facility, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of 3 months or less from the date of acquisition. Bond issue accounts established by the bond covenants are invested in short-term United States Treasury securities and are maintained by a custodian financial institution.

Short-term investments are investments with remaining maturities of up to 90 days.

INDIANA STATE FAIR COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

State statutes authorize the Commission to invest in interest-bearing deposit accounts, passbook savings accounts, certificates of deposit, money market deposit accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations.

Investment income is reported as nonoperating revenues in the statement of revenues, expenses, and changes in net assets.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by the applicable bond covenants.

4. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, equipment, and furniture, are reported in the financial statements.

Capital assets are reported at actual historical cost.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

|                                  | Capitalization<br>Threshold | Depreciation<br>Method | Estimated<br>Useful Life          |
|----------------------------------|-----------------------------|------------------------|-----------------------------------|
| Land Improvements (paving, etc.) | \$ 5000                     | Straight-line          | 15 years                          |
| Tunnels                          | 5000                        | Straight-line          | 30 years                          |
| Buildings                        | 5000                        | Straight-line          | 20 years (40 years prior to 1981) |
| Building Improvements            | 5000                        | Straight-line          | 4-20 years                        |
| Machinery and Equipment          | 5000                        | Straight-line          | 3-10 years                        |
| Electrical Upgrades              | 5000                        | Straight-line          | 12-15 years                       |
| Furniture and Equipment          | 5000                        | Straight-line          | 5-10 years                        |

The Indiana State Fair Commission did not have a written Capitalization Policy in effect until May 2005. Prior to the approval of the policy, the policy for capitalization of assets was unwritten and informally applied.

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

INDIANA STATE FAIR COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the State Fair Commission during the 2004 year was \$479,838.

5. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

6. Net Assets

Net assets of the Commission are classified in three components:

Net assets invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.

Noncurrent expendable net assets are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the State Fair Commission, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note II-D.

Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

E. Grants and Contributions

From time to time, the Commission receives grants from the State of Indiana as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

F. Compensated Absences

1. Sick Leave

Commission employees earn sick leave at the rate of 9 days per year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is generally not paid to employees.

2. Vacation Leave

Commission employees earn vacation leave at rates from 12 days to 25 days per year based upon the number of years of service. Vacation leave may be accumulated indefinitely. Accumulated vacation leave is paid to employees in good standing, through cash payments for up to a maximum of 30 days vacation upon separation of service.

INDIANA STATE FAIR COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Personal Leave

Commission employees earn personal leave at the rate of 3 days per year. Unused personal leave may be accumulated to a maximum of 3 days. Any personal leave accumulated in excess of 3 days automatically becomes part of the sick leave balance. Accumulated personal leave is not paid to employees.

Vacation and personal leave is accrued when incurred and reported as a liability.

II. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the State Fair Commission's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2004, the bank balances held at Union Federal Bank, Bank of New York, and National City Bank were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

| <u>Primary Government</u>                       | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|------------------|--------------------|---------------------------|
| Capital assets, not being depreciated:          |                              |                  |                    |                           |
| Construction in Progress                        | \$ 10,130,501                | \$ 5,342,288     | \$ 13,822,446      | \$ 1,650,343              |
| Capital assets, not being depreciated:          |                              |                  |                    |                           |
| Land and Improvements                           | 8,342,368                    | 717,996          | -                  | 9,060,364                 |
| Buildings and Improvements                      | 50,825,606                   | 14,120,916       | 125,711            | 64,820,811                |
| Machinery and Equipment                         | 2,330,162                    | 644,961          | -                  | 2,975,123                 |
| Office Furniture                                | 1,146,390                    | 208,521          | -                  | 1,354,911                 |
| Totals  | 62,644,526                   | 15,692,394       | 125,711            | 78,211,209                |
| Less accumulated depreciation for:              |                              |                  |                    |                           |
| Land and Improvements                           | 2,034,562                    | 515,143          | -                  | 2,549,705                 |
| Buildings and Improvements                      | 20,955,755                   | 2,546,395        | 125,711            | 23,376,439                |
| Machinery and Equipment                         | 1,750,003                    | 302,727          | -                  | 2,052,730                 |
| Office Furniture                                | 848,728                      | 76,245           | -                  | 924,973                   |
| Totals  | 25,589,048                   | 3,440,510        | 125,711            | 28,903,847                |
| Total capital assets, being<br>depreciated, net | 37,055,478                   | 12,251,884       | -                  | 49,307,362                |
| Total primary government<br>capital assets, net | \$ 47,185,979                | \$ 17,594,172    | \$ 13,822,446      | \$ 50,957,705             |

INDIANA STATE FAIR COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Depreciation expense for the year ended December 31, 2004, was charged to Fairgrounds of the State Fair Commission in the amount of \$3,440,510.

C. Long-Term Liabilities

1. Revenue Bonds

On August 7, 2002, the Indiana State Fair Commission issued \$23,190,000 of general revenue bonds. The interest rate on these bonds starts at 2% and gradually increases to 4.50%. These bonds were issued to refund the January 20, 2001, bond issue of \$3,750,000 and for construction purposes. Revenue bonds outstanding at year end are as follows:

| <u>Purpose</u>             | <u>Interest Rates</u> | <u>Balance at December 31</u> | <u>Less: Unamortized Discount</u> | <u>Less: Loss on Defeasance</u> | <u>Amount</u>        |
|----------------------------|-----------------------|-------------------------------|-----------------------------------|---------------------------------|----------------------|
| Construction of Facilities | 2.0% to 4.5%          | <u>\$ 20,210,000</u>          | <u>\$ 142,684</u>                 | <u>\$ 202,987</u>               | <u>\$ 19,864,329</u> |

Revenue bonds debt service requirements to maturity are as follows:

| <u>Year Ended December 31</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|-------------------------------|-------------------|------------------|-------------------|
| 2006                          | \$ 1,375,000      | \$ 764,422       | \$ 2,139,422      |
| 2007                          | 1,380,000         | 725,160          | 2,105,160         |
| 2008                          | 1,550,000         | 678,497          | 2,228,497         |
| 2009                          | 1,510,000         | 625,732          | 2,135,732         |
| 2010                          | 1,535,000         | 570,149          | 2,105,149         |
| 2011-2015                     | 8,815,000         | 1,854,361        | 10,669,361        |
| 2016-2017                     | <u>4,045,000</u>  | <u>180,673</u>   | <u>4,225,673</u>  |
| Totals                        | <u>20,210,000</u> | <u>5,398,994</u> | <u>25,608,994</u> |

2. Prior Refunding

In prior years, the State Fair Commission defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Commission's financial statements. At December 31, 2004, \$2,907,730 of bonds outstanding are considered defeased.

INDIANA STATE FAIR COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Changes in Long-Term Liabilities

During the year ended December 31, 2004, the following changes occurred in long-term obligations:

|                         | Beginning<br>Balance | Additions         | Retirements       | Ending<br>Balance    | Amount Due<br>Within<br>One Year |
|-------------------------|----------------------|-------------------|-------------------|----------------------|----------------------------------|
| Revenue Bonds:          |                      |                   |                   |                      |                                  |
| Payable                 | \$ 21,190,523        | \$ 374,477        | \$ -              | \$ 21,565,000        | \$ 1,355,000                     |
| Compensated<br>Absences | <u>327,500</u>       | <u>198,403</u>    | <u>175,618</u>    | <u>350,285</u>       | <u>152,969</u>                   |
| Totals                  | <u>\$ 21,518,023</u> | <u>\$ 572,880</u> | <u>\$ 175,618</u> | <u>\$ 21,915,285</u> | <u>\$ 1,507,969</u>              |

D. Restricted Assets

Noncurrent cash and investments restricted include the following:

1. Repair and Replacement Fund – The Bond Covenants require the State Fair Commission to maintain a balance of \$1,000,000 in the Repair and Replacement Fund.
2. Bond Project Account – Required by the Bond Covenants. These funds are unspent bond proceeds to be used for construction projects.
3. Bond Debt Service Account – Required by the Bond Covenants. These funds are a reserve required by the Bond Covenants.
4. Bond Funding Account – Required by the Bond Covenants. These are funds deposited monthly, 10 months a year, as monthly payments to be applied to the semi-annual bond payment.

The balances of restricted asset accounts in the enterprise funds are as follows:

| Year Ended<br>December 31          | Principal           |
|------------------------------------|---------------------|
| Bond DSR Fund                      | \$ 2,254,460        |
| Bond Funding Account               | 2,031,454           |
| Bond Project Account               | 50                  |
| Repair and Replacement Fund - CD's | 1,000,000           |
| Total                              | <u>\$ 5,285,964</u> |

INDIANA STATE FAIR COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

E. Prior Period Adjustments

For the year ended December 31, 2004, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Indiana State Fair Commission. Prior period adjustments represent a correction of a liability and a correction of an error.

1. Correction of Liability

Expenses in 2003 were overstated by \$418,000 due to an accrual for a liability that was expected to be paid in 2004. The liability was cancelled in 2004. This caused retained earnings for December 31, 2003, to be understated by \$418,000. To adjust for this, Beginning Net Assets at January 1, 2004, was increased by \$418,000.

2. Correction of Error

Utilities Payable in the amount of \$143,823 was not accrued for the 2003 Financial Statements. Beginning Net Assets were reduced to reflect the accrual.

|  |                      |
|--|----------------------|
| December 31, 2003                        |                      |
| Net Assets as Reported                   | \$ 36,154,154        |
| Prior Period Adjustments:                |                      |
| Correction of Liability                  | 418,000              |
| Correction of Error                      | (143,823)            |
| Balance December 31, 2004<br>as Restated | <u>\$ 36,428,331</u> |

III. Other Information

A. Risk Management

The State Fair Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The policy of the State Fair Commission is to not purchase commercial insurance for the risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters. Instead, the Commission records as an expenditure any loss as the liability is incurred or replacement items are purchased.

INDIANA STATE FAIR COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana State Fair Commission contributes to the Public Employees Retirement Fund (PERF), a defined pension plan. The PERF is an agent multi-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern most requirements of the system and give the Commission authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contribution, set by state statute at 3% of compensation, plus interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by writing:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Washington Street  
Indianapolis, Indiana 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Commission's annual pension cost for the current year and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

|  | <u>PERF</u>               |
|--|---------------------------|
| Annual required contribution               | \$ 105,930                |
| Interest on net pension obligation         | (6,141)                   |
| Adjustment to annual required contribution | <u>6,998</u>              |
| Annual pension cost                        | 106,787                   |
| Contributions made                         | <u>119,488</u>            |
| Decrease in net pension obligation         | (12,701)                  |
| Net pension obligation, beginning of year  | <u>(84,706)</u>           |
| Net pension obligation, end of year        | <u><u>\$ (97,407)</u></u> |



INDIANA STATE FAIR COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

|                                 | <u>PERF</u>                                      |
|---------------------------------|--|
| Contribution Rates:             |  |
| Government                      | 5%   |
| Plan Members                    | 3%   |
| Actuarial Valuation Date        | 07-01-03   |
| Actuarial Cost Method           | Level Percentage Of<br>Projected Payroll, Closed |
| Amortization Period             | 40 Years   |
| Amortization Period (From Date) | 07-01-97   |
| Asset Valuation Method          | 4 Year Smoothed Market                           |

Actuarial Assumptions

|                                    |       |
|------------------------------------|-------|
| Investment Rate Of Return          | 7.25% |
| Projected Future Salary Increases: |       |
| Total                              | 5%    |
| Attributed To Inflation            | 4%    |
| Attributed To Merit/Seniority      | 1%    |
| Cost-Of-Living Adjustments         | 2%    |

Three Year Trend Information

|      | <u>Year Ending</u> | <u>Annual<br/>Pension Cost<br/>(APC)</u> | <u>Percentage<br/>of APC<br/>Contributed</u> | <u>Net<br/>Pension<br/>Obligation</u> |
|------|--------------------|--|--|---------------------------------------|
| PERF | 06-30-01           | \$ 86,419                                | 142%   | \$ (78,013)                           |
|      | 06-30-02           | 112,893                                  | 106%   | (84,706)                              |
|      | 06-30-03           | 106,787                                  | 112%   | (97,407)                              |

INDIANA STATE FAIR COMMISSION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

|          | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability -<br>(AAL) | Excess Of<br>Assets Over<br>(Unfunded)<br>AAL | Funded<br>Ratio | Covered<br>Payroll | Excess/<br>(Unfunded)<br>AAL as a<br>Percentage<br>of Covered<br>Payroll |
|----------|---------------------------------|--|---|-----------------|--------------------|--|
| 07-01-01 | \$ 1,988,819                    | \$ 2,020,495                                 | \$ (31,676)                                   | 98%             | \$ 2,273,615       | (1%)   |
| 07-01-02 | 1,946,780                       | 1,986,474                                    | (39,694)                                      | 98%             | 2,044,413          | (2%)   |
| 07-01-03 | 1,985,247                       | 1,860,870                                    | 124,377                                       | 107%            | 2,155,346          | 6%   |

INDIANA STATE FAIR COMMISSION  
OTHER REPORT

The audit report of the financial statements presented herein was prepared separately from a compliance audit report. The compliance audit report will be subsequently issued covering the two year period ending December 31, 2005.

INDIANA STATE FAIR COMMISSION  
EXIT CONFERENCE

The contents of this report were discussed on May 25, 2006, with Cynthia C. Hoye, Executive Director; and Mark Hindsley, Controller.